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**U.S. Senate**  
**Republican Policy**  
**Committee**

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Don Nickles, Chairman  
Doug Badger, Staff Director



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**U.S. House**  
**Republican**  
**Conference**

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John Boehner, Chairman  
Barry Jackson, Executive Director

October 19, 1995

**Talking Points**

**Arctic Coastal Plain Oil Leasing: Sound Economic,  
Energy, and Environmental Policy**

Included in the Balanced Budget Reconciliation Act of 1995 is a provision from the Committee on Energy and Natural Resources to permit the environmentally sound exploration, development, and production of the oil and gas resources of the Coastal Plain of the Arctic National Wildlife Refuge (ANWR) in Alaska. It is a provision that is long-past due.

Nevertheless, the Clinton Administration, having made the strategic decision to use the environment as a national wedge issue, is expected to strongly attack Republicans for allowing oil development in the Coastal Plain of ANWR. For the past 15 years, oil development in the Coastal Plain has been a fund-raising poster child for the environmental lobby. Republicans can expect the Administration, national environmental groups, and the liberal media to attack the Senate oil development provision using false information, alarmism, and shameless appeals to Americans' honest concern for environmental protection.

The following talking points are intended to explain the prudence of ANWR Coastal Plain development. A companion RPC paper, also dated October 19, rebuts the Administration's official objections to leasing in ANWR. (Also, see RPC papers "Clinton Attacks Republican Environmental Reforms," dated August 16, 1995.)

**Sound Economic Policy**

- **The economic rewards of producing oil from the 1002 area are gigantic.** In 1991, the Bureau of Land Management estimated that there was a 46- percent chance that economically recoverable oil reserves would be found in the 1002 area, and that if found, as much as 9 billion barrels of oil could be recovered. [If the high range turns out to be the case, the 1002 area would be the third largest oil field ever discovered in the United States — Prudhoe Bay and the East Texas field being the top two.] Billions of dollars would be generated in new federal revenues, new economic activity, and in balance-of-payments improvement.

— If the high range estimate materializes, the 1002 field would produce the equivalent to approximately one-quarter of all current U.S. oil production, or around 1.5 million barrels per day. Even at today's low prices (around \$18.50 per barrel), Americans would pay \$10 billion per year less for foreign oil. And, if international oil prices were to increase substantially, the savings could be dramatically higher.

— 250,000 jobs would be created during the life of the project. Using a standard economic multiplier effect, as many as 735,000 jobs could be directly and indirectly created by the project.

— The U.S. Department of the Interior has estimated that net national economic activity generated by oil development of the 1002 area could reach \$325 billion.

— American taxpayers will see billions of dollars in new federal receipts to help offset reductions in existing programs. Bonus bids received from leasing the 1002 area will yield at least \$1.3 billion to the U.S. Treasury. In addition, the federal Treasury will share 50/50 with the State of Alaska on royalties assessed at no less than 12.5 percent on oil produced from the leases. Finally, the federal Treasury could benefit from billions of dollars in corporate and individual income taxes generated by the economic activity over the life of the field.

- **Leasing needed to keep the Trans-Alaska Pipeline System open.** Unless the 1002 area is opened for leasing soon, the steady decline in production from Prudhoe Bay and associated fields will drop below 300,000 barrels per day, a level that can no longer sustain the economics of transporting the oil 800 miles down the Trans-Alaska Pipeline System. Once TAPS is closed, federal law requires that it immediately be torn down and removed, thus trapping all remaining oil resources on the North Slope — including those under the 1002 area.

## **Sound Energy Security Policy**

- **Every barrel of oil produced in the United States is a barrel *not* purchased from foreign countries,** whose export decisions are frequently more political than economic, and whose environmental protections are not as stringent as the protections required in the United States.
- **Energy security is a more important concern than ever.** America's reliance on foreign oil has been of little concern to the public during the last decade largely due to plentiful world oil supplies and low prices. With the exception of 1990, when the average annual price reached \$20.03 per barrel due to the Iraqi invasion of Kuwait, the average annual price of domestic crude oil has not topped \$16.55 since 1985. In real

dollar terms, world crude oil prices are about one-third of what they were in 1981, the peak year. The result is consumer complacency and lower domestic production levels.

— These low prices have discouraged exploration in the Continental United States, even in promising areas in the Outer Continental Shelf. Nevertheless, oil under the 1002 area may be in large enough quantities to justify production of that oil at today's prices.

— Americans need to be aware of the hidden costs of oil imports, especially when the apparent cost per barrel remains relatively low. The United States is currently importing half the oil it uses. During 1994, the United States still imported 50.8 percent, and during the first seven months of 1995, imports were 49.5 percent of consumption. For example, during the month of June, even though the average import price (landed) for crude oil was \$17.12 per barrel, the United States still imported \$5.1 billion in oil and petroleum products, comprising 35 percent of the nation's trade deficit for that month. If that same oil were priced at 1981 levels, the import bill for June would have been three times as high.

- **Imports from Arab countries are rising.** Significantly, while Arab OPEC members accounted for a relatively small amount of U.S. imports in 1973, the embargo sent the U.S. economy into turmoil and recession. Last year, imports from just Kuwait, Saudi Arabia, U.A.E., and Algeria comprised 22 percent of U.S. imports.
- **Saudi oil may be less reliable in the future.** Americans are importing about 1.4 million barrels a day of oil and products from Saudi Arabia, more than 15 percent of all imports. While the current government of Saudi Arabia has been friendly toward the United States, U.S. policy planners should not simply assume that the relationship between the United States and Saudi Arabia will never change.
- **Import dependency is rising.** Although U.S. petroleum consumption is only about 10 percent more than it was in 1973 (despite more than a five-fold increase in GDP during that time), our reliance on imports has nevertheless steadily increased as domestic production has declined. In 1973, the gross oil imports supplied 36 percent of the oil used, while in 1994, the United States imported 50.8 percent of its needs.
- **Alaskan oil needed to maintain U.S. production capabilities.** Domestic oil production has declined steadily since 1985 (8.97 million barrels a day), to 6.56 million barrels a day — the lowest production level since 1954. This 27-percent decline in just 10 years has been due in part to a simultaneous 18-percent decline in the volume of oil coming from the North Slope of Alaska. Alaskan oil now represents almost 23 percent of all domestic oil production.

## **Sound Environmental Policy**

- **The Energy Committee's reconciliation recommendation includes stringent environmental requirements.** In addition, it provides for full, ongoing federal, state and local regulatory enforcement.
- **There are no endangered species or critical habitat in the 1002 leasing area.**
- **Caribou calving will not suffer because of oil production activities.** Caribou prefer calving in other portions of the Arctic Coastal Plain over 90 percent of the time. The experience of Pruhoe Bay indicates that caribou will continue to calve in and around the 1002 area. Caribou have demonstrated great adaptability, both in disregarding human structures and in calving in any number of places over millions of acres in ANWR. In addition, disruption of caribou calving will be minimized because of the very small portion of the 1002 area that will actually be occupied by humans during oil production. All 1002 oil production activities are expected to cover a combined area no larger than Dulles Airport, located in an ANWR the size of South Carolina.
- **Much of the Federal revenue from oil production will benefit National Parks.** During this period of tightening federal budgets, the Energy Committee has directed that all surpluses in excess of CBO's conservative estimate of \$1.3 billion in federal funds to be received from bonus bids will be directly applied to environmental and infrastructure improvements at National Parks and Refuges. As a general matter, increased receipts to the General Fund in the Treasury from the leasing bids, royalty sharing, and corporate and individual income taxes will reduce budget cutting pressures on the Department of the Interior and EPA.
- **Opening the 1002 area now is better than rushing in during a world oil crisis.** Proper planning for oil development in the 1002 area is expected to take 10 years. Waiting until there is a pending world oil crisis might force a more rapid, "crisis mentality" development that will not allow for the same level of environmental safeguards.
- **The 1002 area is not a "special" portion of the 19-million acre ANWR.** The barren stretches of the 1002 area in the Arctic Coastal Plain is less than 8 percent of the 19 million acres set within the Arctic National Wildlife Refuge. Environmentalists have often pictured caribou standing in lush valleys, with the Brooks Range? Mountains in the background. These are pretty pictures of ANWR, but they are taken well south of the 1002 area. Moreover, eight million acres of ANWR, including 450,000 acres on the Coastal Plain, are already set aside as a Federal Wilderness, protected from development for all time. Finally, leasing activities in other arctic coastal areas, such as Prudhoe Bay, have established sound environmental engineering principles to minimize impacts on the 1002 leases.

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